

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 AID-05 CIAE-00

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USADB

PASS TREASURY FOR ERB/ZINMAN

E.O. 11652: ADS, DECLAS: 3/7/77

TAGS: EAID, EFIN

SUBJECT: PROPOSED SALARY INCREASE AT ADB

REF: (A) TREASURY 76-106, (B) MANILA 12625

1. PROPOSED ADB PROFESSIONAL STAFF SALARY INCREASE OF 5.5 PERCENT CAN BE JUSTIFIED. PESO PRICE INCREASE OF 12.25 PERCENT BY USING UNWEIGHTED AVERAGE OF ITEMS IN BUSINESS INTERNATIONAL QUOTE SHIPPING BASKET UNQUOTE FOR INTERNATIONAL STAFF FROM JULY 1975 TO JUNE 1976 AND U.4 PERCENT INCREASE IN MANILA CPI FOR SAME TIME PERIOD WERE ACCOMPANIED BY ABOUT A ONE PERCENT DECREASE IN PESO RATE FOR US DOLLAR FROM 7.50 TO 7.43. THIS SUGGESTS RANGE OF 8.4 TO 13 PERCENT DETERIORATION IN DOLLAR PURCHASING POWER FOR EXPENDITURES IN PHILIPPINES. ANOTHER METHOD OF CALCULATION WAS TO USE INCREASE IN PESO RATE OF 7.45 PERCENT FROM 698 IN MAY 1975 TO 7.50 IN JULY 1975 WHICH INDICATES ONLY 4.80 PERCENT FROM 12.25 PERCENT

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PRICE INCREASE NOT INCLUDED IN INCREASE OF PESO RATE.

HOWEVER, COMPARISON OF 6.98 PESO RATE IN MAY 1975 WITH 7.43 PESO IN JUNE 1976 RESULTS IN ONLY 6.44 PERCENT INCREASE IN PESO RATE WHICH, ON THIS BASIS, WOULD INDICATE 5.81 PERCENT FROM 12.25 PERCENT PESO PRICE INCREASE WOULD NOT BE COVERED BY INCREASE IN PESO RATE.

2. SHARP DECREASE IN UN RELATIVE INDEX FOR MANILA BETWEEN MAY 1975 AND NOVEMBER 1975 APPEARS SUSPECT, BUT CORRECT CREDITABLE NUMBERS NOT KNOWN. CLARIFICATION WILL TAKE TIME. COMPARISON OF WASHINGTON AND MANILA PRICE DATE APPEARS TO BE CONSISTENT WITH EXPERIENCE.

3. RELIABILITY OF MANILA CPI INCREASE OF 6.7 PERCENT INCREASE FROM MAY 1975 TO MAY 1976 DIFFICULT TO ACCEPT

SINCE INCREASE BECOMES 9.9 PERCENT BY EXTENDING TIME ONE MONTH TO JUNE 1976. ITEMS AND WEIGHTS IN MANILA CPI DIFFER SIGNIFICANTLY FROM THOSE FOR INTERNATIONAL STAFF IN BUSINESS INTERNATIONAL SHOPPING BASKET. ALSO, MANILA CPI INCLUDES CONTROLLED PRICES PARTICULARLY ON ITEMS OF MASS CONSUMPTION BY LOW INCOME URBAN FAMILIES. USADB ALSO BELIEVES RELIABILITY OF 12.25 PERCENT PRICE INCREASE MENTIONED PARA. 1 MAY NOT BE RELIABLE.

4. USADB AGREES THAT ADB COMPUTATION OF INTERNATIONAL PRICE INCREASE OF 12 PERCENT IS WRONG. STAFF HAS SUBSEQUENTLY CORRECTED NUMBER TO 8 PERCENT. ADB FOREIGN PROFESSIONAL STAFF DO SPEND AND SAVE ABROAD IN US DOLLARS WHICH ARE AFFECTED BY INTERNATIONAL PRICE INCREASES AND BY CHANGES IN NON-PHILIPPINE EXCHANGE RATES. IBRD RECENT SALARY INCREASE WAS BASED ON COL INCREASE IN WASHINGTON ASSUMING WASHINGTON CONDITIONS AND MADE NO ALLOWANCES FOR INTERNATIONAL PRICE EXCHANGE RATE CHANGES. THIS SUGGESTS THAT ADB COULD ACCEPT IBRD ESTIMATE OF CHANGES IN COL. OF 5.8 PERCENT AS A MEASURE OF INTERNATIONAL PRICE INCREASES AGAINST US DOLLAR.

5. ADB PROFESSIONAL SALARIES SHOULD BE COMPETITIVE TO THOSE IN IBRD AND IDB, AND COMPENSATION PACKAGE SHOULD PERMIT COMPARABLE STANDARD OF LIVING AND ALLOWANCE FOR RISKS, LIMITED OFFICIAL USE

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SACRIFICES AND INCONVENIENCES OF FAMILY LIVING IN MANILA AND OF A PROFESSIONALLY REMOTE AREA OF WORLD. THIS COULD INDICATE A SALARY LEVEL WHICH MIGHT BE SLIGHTLY HIGHER THAN IDB BUT SOMEWHAT LESS THAN IBRD. IT WOULD BE DIFFICULT TO PROVIDE A PRECISE NUMBER OF PERCENTAGE SALARY INCREASE.

6. RECRUITMENT AND RETENTION RATES ARE AFFECTED BY

SALARY AND BENEFITS WITH A SUBSTANTIAL LAG. IT WOULD BE DIFFICULT TO PROJECT THESE RATES BASED ON PAST CONDITIONS TO FUTURE UNKNOWN COMPETITIVE SALARY LEVELS. USADB AGREES THAT RATES SUGGEST HIGH RETENTION AND RECRUITMENT RATES. ADB PERSONNEL DIRECTOR EXPLAINED THAT ADB BENEFITED FROM CYCLICAL UNEMPLOYMENT CONDITIONS IN DEVELOPED COUNTRIES BUT IS NOW FACED WITH IMPACT OF DECLINING UNEMPLOYMENT CONDITIONS WHICH WILL REQUIRE ADB TO OFFER COMPETITIVE SALARIES AND BENEFITS TO ATTRACT AND RETAIN STAFF MEMBERS. ONE PROBLEM HERE IS THAT RETENTION AND RECRUITMENT RATES WOULD IMPROVE FURTHER AT LOWER SALARY LEVEL IF ADB WERE TO RECRUIT MORE HEAVILY IN LOWER INCOME DEVELOPING COUNTRIES. ISSUE HERE IS TO ADOPT A SALARY/BENEFIT PACKAGE THAT WILL BE SUFFICIENTLY COMPETITIVE IN DEVELOPED MEMBER COUNTRIES EVEN THOUGH STAFF MEMBERS FROM DEVELOPING COUNTRIES ARE RELATIVELY OVERPAID.

7. USADB CONCLUDES THAT 5.5 PERCENT PROFESSIONAL SALARY INCREASE COULD BE JUSTIFIED BECAUSE THERE ARE AT THE MARGIN INTANGIBLE, QUALITATIVE, PSYCHOLOGICAL FACTORS INVOLVED. ALSO, 5.0 PERCENT INCREASE COULD BE JUSTIFIED. ANOTHER POSSIBILITY IS TO PROPOSE A 3.74 PERCENT INCREASE TO BE COMPETITIVE WITH IDB ASSUMING OTHER BENEFITS INCLUDING RENTAL SUBSIDY ARE COMPARABLE. ALTERNATIVE OF NO SALARY INCREASE BECAUSE UN RELATIVE INDEX INDICATES ADB SALARIES HIGHER THAN IBRD IN REAL TERMS DOES NOT APPEAR TO BE VIABLE.

8. USADB SUGGESTS THAT EFFECTIVE DATE OF SALARY INCREASE MIGHT BE THE ANNIVERSARY MONTH OF LAST SALARY INCREASE OF 1 AUGUST INSTEAD OF 1 JUNE 1976 AS NOW PROPOSED.

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